

2019 ANNUAL REPORT TO MEMBERS



Dear Valued Member:

I am pleased to present the 2019 Annual Report of the Seattle City Employees' Retirement System (SCERS). The *Annual Report To Members* provides a summary of SCERS's financial health, investment performance, and key accomplishments for the last calendar year. It includes a snapshot of the detailed information contained in the Annual Financial Audit Report and Actuarial Valuation, both of which can be found on SCERS's website, www.seattle.gov/retirement.

Looking Back

In 2019, SCERS went live with a Pension Administration System that consolidated multiple City systems and tools into one central system that will allow us to better serve you. In 2020, we began rolling-out the next phase of the system, the Member Self-Service Portal, which will give members increased access to their retirement information, including a benefit estimator tool.

2019 was a strong year for investment returns and at the close of 2019, SCERS was managing over \$3.1 billion in investments, which will continue to provide the foundation for your hard-earned retirement. Our strategic asset allocation is designed to meet long-term obligations and protect your benefits.

Looking Forward

While the Annual Report provides a snapshot looking back in time, we all know that much has changed since then. The economic effects of COVID-19 came swiftly in 2020, bringing along significant market volatility, falling interest rates, and a prevalent concern for many about the next paycheck and being able to meet upcoming bills. While few predicted the precise consequences of a global pandemic, good investors plan for market instability. SCERS has planned for market instability by having a well-diversified investment portfolio and focusing on being a long-term investor. While this economic downturn is severe, we built into our expectations that investments will fluctuate over the short-term. Over the long run these fluctuations are expected to balance out. For example, just last year, in 2019, the value of our investment portfolio increased by over 17%, well above the assumed rate of 7.25%, and these gains will help offset potential underperformance in 2020.

For our members, there are a few key things that we would like to emphasize, with the most important being that, the volatility in the financial markets will not impact retiree benefits.

Retirement security earned after a public service career with the City of Seattle is an important benefit provided to our members, and we are here to support you on your road to retirement.

Thank you for your hard work with the City, please stay safe and healthy, and SCERS looks forward to continuing to serve you.

Sincerely,

Jeffrey S. Davis
Executive Director

Introduction

About SCERS

SCERS provides retirement benefits to non-uniformed, City of Seattle employees and serves more than 19,000 members.

SCERS Mission

Fulfill the promise made to our members by delivering the retirement benefits they have earned.



Values

Excellence: We strive to produce the best outcomes for our members while fostering the human resources and the quality of the processes needed to reach these outcomes.

Stewardship: We safeguard the information and resources entrusted to us by our members and also care for and cultivate our team to best meet our commitments.

Integrity: We bring the highest level of transparency, respect, fairness, and equity to all our interactions with our members, stakeholders, and ourselves.

Accountability: We own our commitments, and we take responsibility for the personal growth necessary to continue to meet these commitments.

Service: We dedicate ourselves to meeting the needs of and creating the best experience for our members in their interactions with the Retirement System. We are considerate and understanding of our members and of each other.

Cooperation: We prioritize the sharing of information and resources to create a stronger team and become a more effective service provider.

Trust: We cultivate trust at every level of the organization in order to uphold our integrity, to create a safe environment for risk and innovation, and to bring out the best in each other.

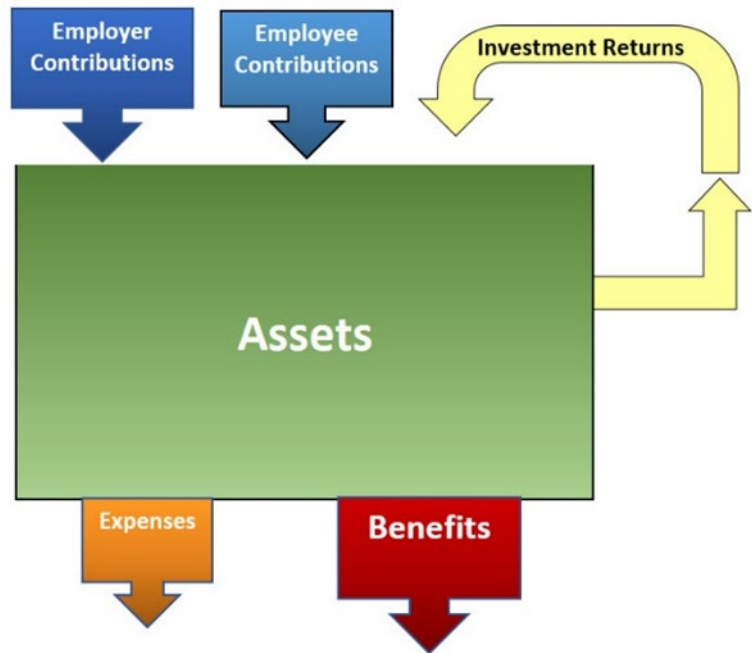
The benefits you have earned

SCERS members are part of a **defined benefit pension plan**, meaning that your benefit will be delivered as promised; retirees do not bear the risk of outliving their retirement benefits or that investment performance will reduce their retirement income.

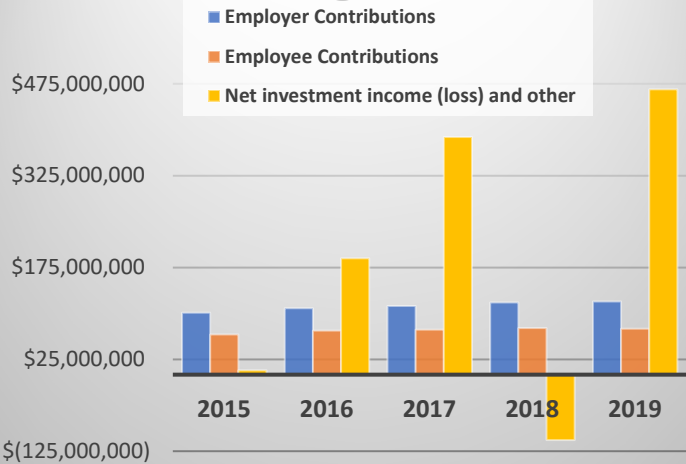
Plan Overview

Did you ever wonder where the money comes from to pay retirees?

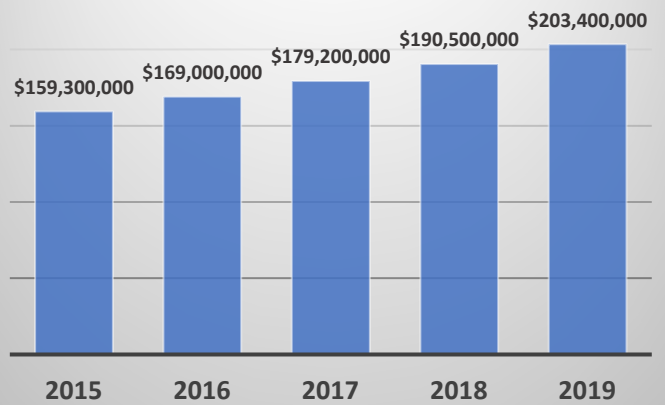
The City and members make contributions every paycheck and these funds are invested so they can grow and be paid out to you when you retire.



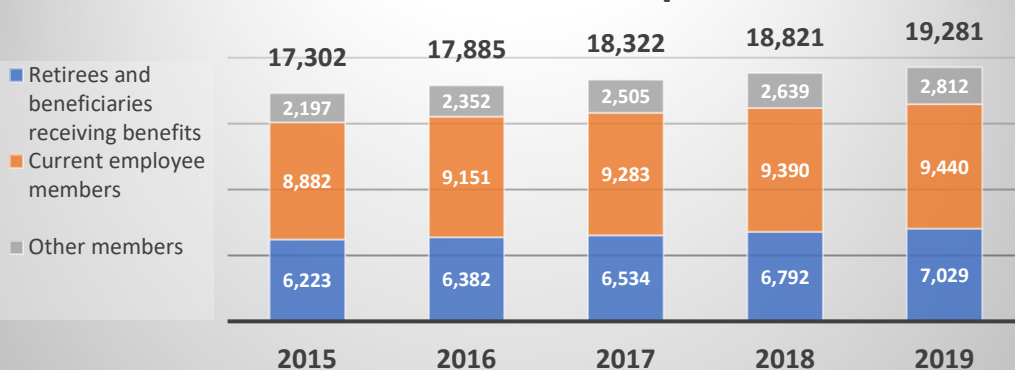
Funding Sources



Retiree Benefits Paid



Plan Membership



During 2019, SCERS had more members than ever before and provided more than \$200 million in benefits to retirees!

Investment Overview

SCERS staff, consultants, and investment managers closely monitor and manage investments to help them grow and provide ongoing benefits for members.



At the end of 2019, SCERS investments totaled over **\$3.1 billion**, a \$465.8 million increase from 2018

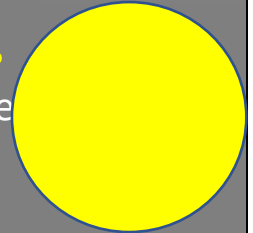
Over the last 5 years, SCERS investments have performed similar to the policy index that reflects the target strategic allocation.

Where Retirement Funds Are Invested

Equity • 62%

Ownership stakes in companies that are listed on a public stock exchange or privately owned.

- Public Equity: 53%
- Private Equity: 9%



Fixed Income • 27%

Debt investments where the borrower may be governments, companies, or other parties.

- Core Fixed Income: 20%
- Credit Fixed Income: 7%



Real Assets • 11%

Tangible investments that produce inputs into the economy.

- Real Estate: 10%
- Infrastructure: 1%



Fund Performance Summary

	Net of Fees				Gross of Fees		
	1 year (%)	3 years (%)	5 years (%)	10 years (%)	15 years (%)	20 years (%)	30 years (%)
SCERS Total Fund	17.2	9.3	7.2	8.1	6.0	5.2	7.3
Total Fund Policy Index	17.8	9.6	7.4	8.4	6.5	5.6	7.4

Financial Snapshot

SEATTLE CITY EMPLOYEES RETIREMENT SYSTEM

Fiduciary Net Position

DECEMBER 31, 2019

Assets:

Cash and cash equivalents and receivables	\$ 225,562,729
Investments at fair value	3,124,271,110
Securities Lending Collateral	7,022,619
Prepaid Expenses	781,900
Total Assets	3,357,638,358

Liabilities:

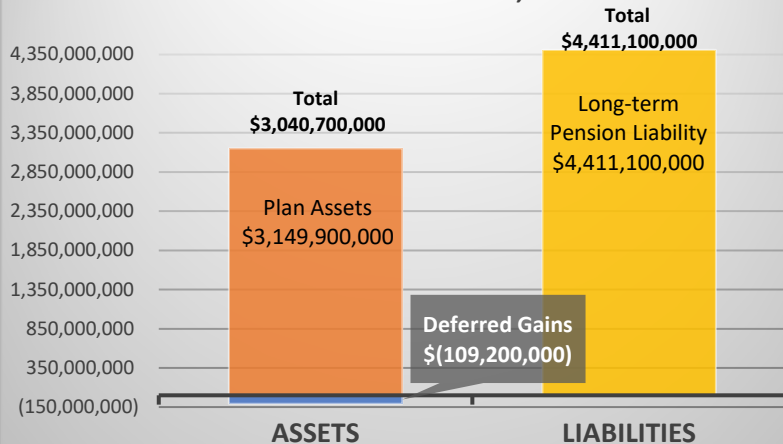
Securities lending payable	7,013,115
Other payables	200,761,387
Total Liabilities	207,774,502

Total fiduciary net position \$ 3,149,863,857

Fiduciary Net Position can tell you the strength of our system at a point in time. Assets that we have today are used to fund current and future liabilities.



Assets & Liabilities as of December 31, 2019



The unfunded liability is the difference between long-term liabilities and current assets. Every year the City makes contributions to ensure this liability will be met.

SEATTLE CITY EMPLOYEES RETIREMENT SYSTEM

Changes in Fiduciary Net Position

FOR THE YEAR ENDED DECEMBER 31, 2019

Additions:

Employer contributions	\$ 119,171,072
Member contributions	75,260,573
Net investment income (loss) and other income	465,764,583
Total additions	660,196,228

Deductions:

Retiree benefits	203,413,178
Refunds of contributions	15,188,644
Administrative expenses	9,167,368
Total deductions	227,769,190

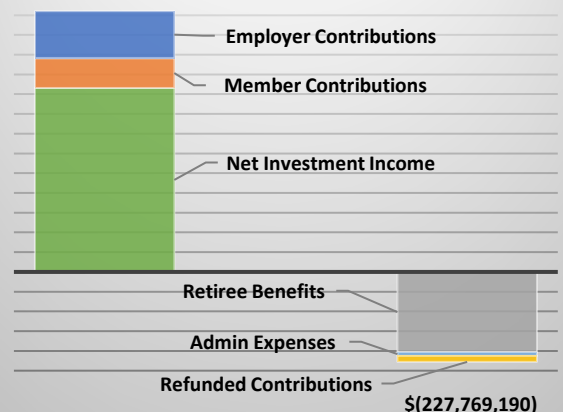
Net increase (decrease) \$ 432,427,038

2019 Additions & Deductions

ADDITIONS

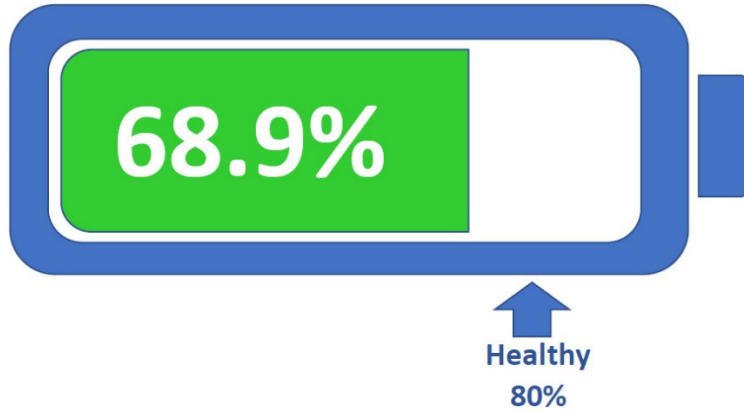
DEDUCTIONS

\$660,196,228



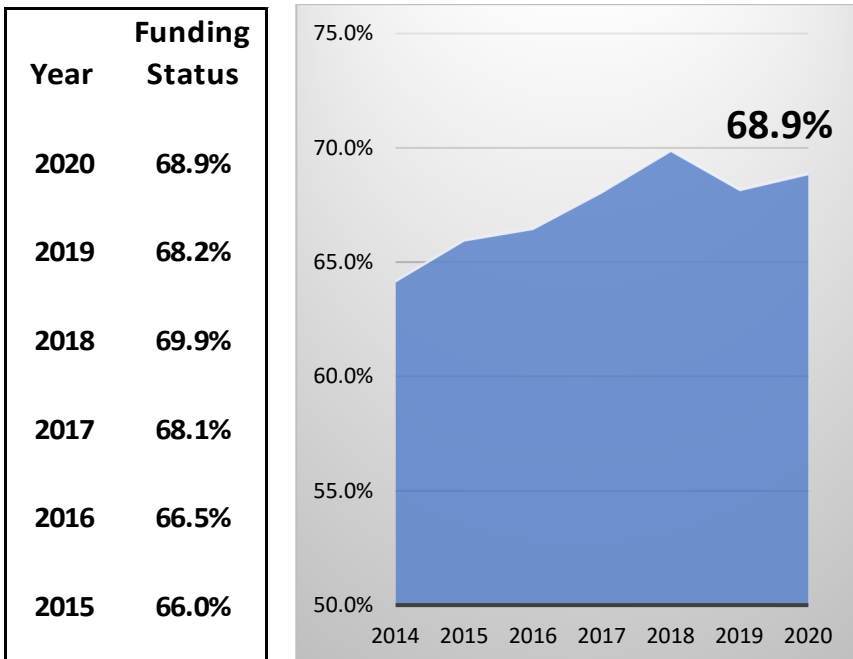
Funding Status

Current Funding Status



Funding Status

The funding status is steadily increasing. The current 2020 funding status increased slightly primarily from strong investment returns in 2019.

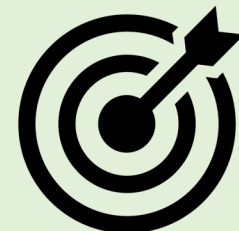


Staying on target

SCERS plans to be fully-funded by 2042

This is achieved by:

- A carefully planned and executed investment program
- Conducting an Experience Study that evaluates and adjusts economic & demographic assumptions every 4 years to ensure projections are realistic
- Annually adjusting the City's required contribution to ensure the long term liability will be met
- The City's commitment to always meet the annually required contribution (Council Resolution No 31474)
- In 2017, the City implemented a 2nd tier to the plan (SCERS 2)



Striving for Best-in-class Customer Service

SCERS went live with a new Pension Administration System in January 2019. The pension system increases automation, consistency of calculations and communication, and processes real-time updates to members' accounts regarding status, benefit changes, and more.

An integral part of the new system is a new Member Self-Service portal, which began rolling out to members in mid-2020 and will provide members with direct access to their retirement information, including a benefit calculator.

In addition to implementing the new system, the SCERS Member Service team was busy providing information and services to members throughout 2020.

Whether you're joining the plan, are interested in what your retirement benefits may be, have decided to retire, or just want to learn more, the **SCERS Member Services team is here to deliver best-in-class service - even remotely!** Some of the services delivered to members during 2019 include:



830 new members were added to the Plan



400 members retired from the plan



1,800 benefit estimates were prepared for members



127 service credit purchases were completed



209 withdrawals were processed and paid



162 survivorship payments were created



42 seminars, benefit fairs, & orientations were held

Calculating Your Benefit

Every member's vision of retirement is unique.
The defined benefits provided by SCERS 1 and SCERS 2
can help you plan for your future

Both plans provide benefits based on years of service and retirement age that can be estimated by you for use in initial planning. SCERS 1, additionally, provides you with the greater of the service/age calculation or two-times match of your Accumulated Contributions with Interest.

For a formal estimate contact SCERS



SCERS Plan 1 (You are a SCERS Plan 1 member if you have membership eligibility before January 1, 2017)

How to use this chart:

1. Find your estimated years of service at retirement on the left and the age when you plan to retire along the top
2. Multiply the number where the selected column and row intersect by your years of service. The result is stated as a percentage.
3. Multiply the percentage calculated above by the highest salary you received consecutively over 52 pay periods (roughly two years)

Years of Service	Retirement Age													
	52	53	54	55	56	57	58	59	60	61	62	63	64	65
28 plus	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
27	1.90	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
26	1.80	1.90	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
25	1.70	1.80	1.90	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
24	1.60	1.70	1.80	1.90	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
23	1.50	1.60	1.70	1.80	1.90	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
22	1.40	1.50	1.60	1.70	1.80	1.90	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
21	1.30	1.40	1.50	1.60	1.70	1.80	1.90	2.00	2.00	2.00	2.00	2.00	2.00	2.00
20	1.20	1.30	1.40	1.50	1.60	1.70	1.80	1.90	2.00	2.00	2.00	2.00	2.00	2.00
10-19						1.52	1.58	1.64	1.70	1.76	1.82	1.88	1.94	2.00
5-9											1.82	1.88	1.94	2.00

Example: The chart shows that at age fifty-eight with twenty-five years of creditable service, your factor would be two. Your years of service, twenty-five, multiplied by your factor, two, equals 50 percent. Then, multiply 50 percent by your monthly compensation (let us say it's \$2,000), and the rough estimate of your SCERS Plan 1 monthly benefit at age fifty-eight would be \$1,000.



Calculating Your Benefit

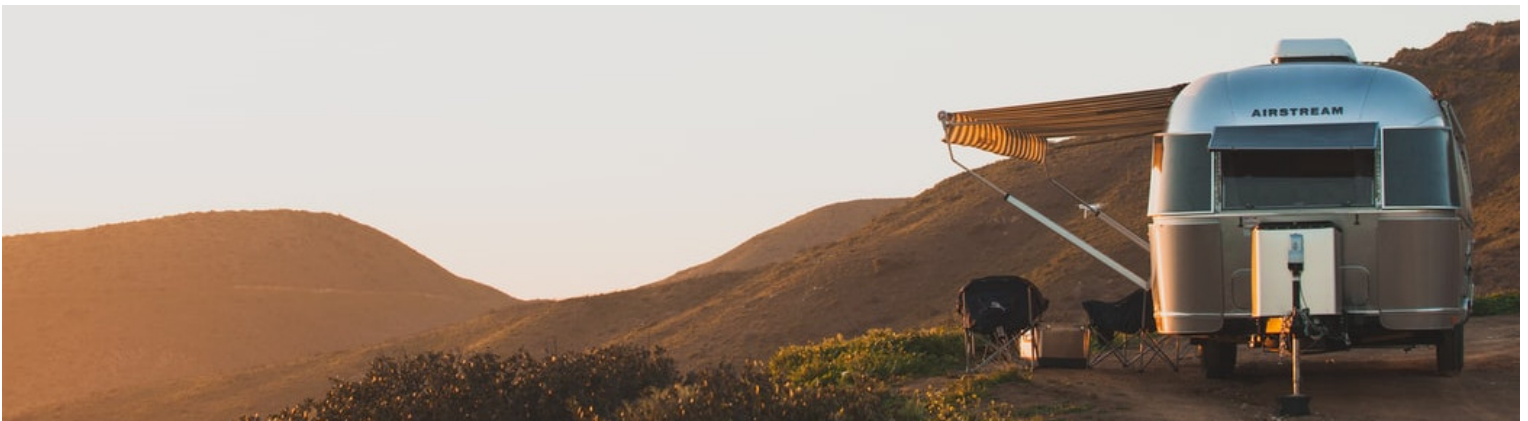
SCERS Plan 2 (You are generally a SCERS Plan 2 member if you were hired on or after January 1, 2017)

How to use this chart:

1. Find your estimated years of service at retirement on the left and the age when you plan to retire along the top
2. Multiply the number where the selected column and row intersect by your years of service. The result is stated as a percentage.
3. Multiply the percentage calculated above by the highest salary you received over 130 pay periods (roughly five years)

Years of Service	Retirement Age										
	55	56	57	58	59	60	61	62	63	64	65
30 plus	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
29	1.68	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
28	1.61	1.68	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
27	1.54	1.61	1.68	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
26	1.47	1.54	1.61	1.68	1.75	1.75	1.75	1.75	1.75	1.75	1.75
25	1.40	1.47	1.54	1.61	1.68	1.75	1.75	1.75	1.75	1.75	1.75
24	1.33	1.40	1.47	1.54	1.61	1.68	1.75	1.75	1.75	1.75	1.75
23	1.26	1.33	1.40	1.47	1.54	1.61	1.68	1.75	1.75	1.75	1.75
22	1.19	1.26	1.33	1.40	1.47	1.54	1.61	1.68	1.75	1.75	1.75
21	1.12	1.19	1.26	1.33	1.40	1.47	1.54	1.61	1.68	1.75	1.75
20	1.05	1.12	1.19	1.26	1.33	1.40	1.47	1.54	1.61	1.68	1.75
19			1.12	1.19	1.26	1.33	1.40	1.47	1.54	1.61	1.75
18			1.05	1.12	1.19	1.26	1.33	1.40	1.47	1.61	1.75
17			0.98	1.05	1.12	1.19	1.26	1.33	1.47	1.61	1.75
16			0.91	0.98	1.05	1.12	1.19	1.33	1.47	1.61	1.75
15			0.84	0.91	0.98	1.05	1.19	1.33	1.47	1.61	1.75
14			0.77	0.84	0.91	1.05	1.19	1.33	1.47	1.61	1.75
13			0.70	0.77	0.91	1.05	1.19	1.33	1.47	1.61	1.75
10-12			0.63	0.77	0.91	1.05	1.19	1.33	1.47	1.61	1.75
5-9						1.05	1.19	1.33	1.47	1.61	1.75

Example: The chart shows that at age fifty-eight with twenty-five years of creditable service, your factor would be 1.61. Your years of service, twenty-five, multiplied by your factor, 1.61, equals 40.25 percent. Then, multiply 40.25 percent by your final compensation (let’s say it’s \$2,000), and the rough estimate of your SCERS Plan 2 monthly benefit at age fifty-eight would be \$805.



Meet Your Board

Teresa Mosqueda

Board of Administration Chair

Glen Lee

Board of Administration Treasurer
City of Seattle Finance Director

Judith Blinder

Elected Active Member
Term: July 1, 2020 - June 30, 2022

Sherri Crawford

Elected Active Member
Term: July 1, 2018 - June 30, 2021

Bobby Humes

Board of Administration Secretary
Seattle Department of Human Resources Director

Robert Harvey, Jr.

Board Appointee
Term: July 1, 2020 - June 30, 2023

Lou Walter

Elected Retiree Member
Term: July 1, 2020 - June 30, 2023

The SCERS Board of Administration welcomes attendance and comments from the public at its monthly meetings. Meeting schedules and agendas are available at <http://www.seattle.gov/retirement/about-us/calendar>. At the time of publication meetings are being held remotely in response to COVID-19 and members of the public can submit public comment via email using the instructions on the agendas available at the web address above.

Want to Know More?



Visit us on the web at www.seattle.gov/retirement for information on calculating your benefit, frequently asked questions, the latest SCERS news, financial information, registration for upcoming seminars, board information and all things SCERS!



Write

Seattle City Employees'
Retirement System
720 Third Avenue, Suite 900
Seattle, WA 98104



e-mail

retirecity@seattle.gov



Call

(206) 386-1293



Fax

(206) 386-1506



Visit*

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Seattle, WA 98104

*Please see our website for the updates on office closures, hours, and precautions we are taking to keep you and your loved ones safe